

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

May 8, 2001

3:00 PM

Chairman Hirschmann called the meeting to order.

The Clerk called the roll.

Present: Aldermen Levasseur, Pinard, Thibault, Lopez

Absent: Alderman Hirschmann

Messrs: P. Porter, K. Buckley, K. Clougherty, F. Rusczek, G. Beloin,
J. Desrosiers, T. Arnold, H. Tawney, T. Nichols

Chairman Thibault addressed item 3 of the agenda:

Review of proposed ordinance changes to fees for food establishments and other Health Department inspection services.

On motion of Alderman Levasseur, duly seconded by Alderman Lopez, it was voted to accept the report as presented.

Alderman Lopez asked are we charging the appropriate fees because some of these changes have not been done in five years and some in fifteen years.

Mr. Rusczek replied first, on the fees that have not been changed in fifteen years, these are very small impact items. For example, daycare inspections the family daycare is the daycare with under twelve kids that are out in neighborhoods where we go in and it is about a twenty minute to a half-hour inspection. When the fee was initially set the first time back in the mid-80's the \$25.00 was set as a nominal fee. It is not something that is a tremendous cost item and even at the time the \$25.00 was a concern to some folks. The food permit fees; Alderman Lopez called me and correctly pointed out that the consumer price index has gone up by more than 10% over the last six years and asked why the food permit fees have not gone up by more and the answer is that back when the fees were changed last in 1995 we had folks with more seniority who were at higher pays generally and since then the folks we have now are only with us for two or three years so there has not been the same reflection in cost that we saw in the consumer price index

changes. The other thing that Alderman Lopez asked me was for more information on what the fees are elsewhere in the state for food permit fees. We have worked to keep our fees in line and if you look at the chart for a moment in the second column those are our proposed fees and our current fees in the first column. They represent about a 10% increase that we have already mentioned. They are comparable to fees throughout the state. Our entire food protection program costs about \$150,000 per year. We will recover from these fees between \$121,000 and \$127,000. The cost that we are not recovering is largely the services that we provide for free to non-profits and to the School Department.

Chairman Thibault asked Fred, do you inspect these places once a year.

Mr. Rusczek replied the larger food establishments with 100 seats or more will get inspected four times per year. The smaller food establishments like Cumberland Farms with all prepackaged foods will get inspected twice per year. The time for inspections when we get into a large restaurant where we really have to get involved...the time for inspection might be two hours to say three hours for a large supermarket.

Alderman Levasseur asked what about outside vendors.

Mr. Rusczek replied the outside vendors are not on this chart. They are on your permit schedule. An outside vendor like say a vendor who comes in for Riverfest pays a fee of \$75.00. It is at the bottom the temporary fee the nominal fee is \$75.00 for someone who say comes in from Pennsylvania for Riverfest plus after three days there is an additional fee. If they are licensed by us already say "Joe Kelly's" decides to run something down at Riverfest it costs us less to process that permit so he would pay \$35.00.

Chairman Thibault asked are they inspected also.

Mr. Rusczek replied in the affirmative.

Alderman Levasseur asked what is your idea for when we have the Civic Center events. We are going to be getting lots and lots of these vendors. I would like to see that increased. They are going to be getting 175 events down here and a minimum of 75 from November to May. It is going to be costing them \$1.00 per day so you could imagine what the cost is for these people who pay their rent and everything in these buildings down here. What are we going to do about that.

Mr. Rusczek replied the actual fee has not been set yet because we are still trying to determine how many different kiosks and commissaries we will have to inspect

from the things we have been talking about in-house that fee will be upwards of \$500.00 because of all the different units.

Alderman Levasseur asked could you get me a cost of what it would cost for a vendor outside of Fenway Park or Worcester or Providence just the other area Civic Centers within the northern New England area. Just so we could find out what the comparison rate is on that. That will come before this committee again.

Chairman Thibault addressed item 4 of the agenda:

Communication from the Revenue Administration submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report (all invoices for interdepartmental billings only); and
- d) open invoice report (all invoices due from the School District only).

Mr. Clougherty stated, as you know, Jen Desrosiers is here with me to go over these reports. This will be Jen's last meeting for the Committee on Accounts she is going to be taking a position in Human Resources. She brings a dimension over there from Finance that will be helpful. We hate to loose her and see her go because she has done a good job. She has done a lot for us. The reports you have before you are the usual monthly reports that are presented. The one thing that we would mention is we have been made aware this afternoon that we will be getting tomorrow 1.9 million dollars payment towards the chargebacks from School. But we do not know the detail. We do not know if it is for last year or this year but we expect there will be some activity on that so when you look at those numbers just be aware that there is going to be some activity there. Just be aware when you are looking at some of those numbers that have been getting higher that at least they have indicated today that they intend to make a payment in the near future of 1.9 million dollars.

Alderman Levasseur asked I noticed the total was about 3.8 million dollars. Is that the correct total, Kevin, or is that...

Mr. Clougherty replied the 3.8 million dollars is three from one year and about eight from the previous year. The outstanding from the previous year is \$746,000.

Alderman Levasseur asked the payment that comes from them Kevin are you the one that is supposed to apply it. Are you supposed to take the \$800,000 that is owed from last year and make that 1.9 million dollars part of that.

Mr. Clougherty replied in the negative and stated it comes in for specific invoices that we have sent over and that is what they will apply it against. That is the way it has been handled. We have not seen the detail.

Alderman Levasseur asked why is that the policy. If I owe \$300,000 on something and I owed \$200,000 from a prior debt they are not going to let me pay the \$300,000 on this one.

Mr. Clougherty replied believe me, Alderman, if it was up to me that is the way it would work but it is not my call. It is the School Board.

Alderman Levasseur asked is it statutory on whether they can pay...

Mr. Clougherty replied it is part of the court ruling that they have decisions in terms of what they are going to pay.

Chairman Thibault stated I imagine the School Board Finance Committee must have to take care of that.

Mr. Clougherty stated it is the Superintendent and the federal process but that is in their area as to what they are going to choose to pay or not pay. I wish it were not like that.

Alderman Levasseur asked have we gone to court on this issue.

Mr. Clougherty replied we are in court on this issue.

Alderman Levasseur asked one of the questions that I would ask the judge would be whether we could...they are allowed to decide which ones they are going to pay or not meaning if they apply 2 million dollars to debt it would prudent to apply the 1999 or 2000 year debt before they start paying off the 2001 debt. There is no logic in that and I do not know why we could not have that answered.

Mr. Clougherty stated I agree but they have the opportunity like any vendor could dispute what they feel is not a reasonable billing. Whether we agree with that or not, which we do not, that is their position.

Chairman Thibault stated we could ask Tom Arnold that question. I am going to see if we could get some kind of an idea so that he understands exactly what Alderman 3 is saying and if there is a way to pursue it he could pursue it.

Alderman Lopez asked when the School Department goes into debt they could pay, as the years go along it is just a debt carried forward. If they owe money from 2000 they still owe the money and they keep paying it...2001 if they go in debt they still pay it because it is an ongoing process. Is that correct.

Mr. Clougherty replied it is a legal question and I do not know...in this state you could only do what state statute allows you to. Unlike other states where you could do things unless the statutes prohibit you. In this state, I do not know of any statute that allows a School District to go into a deficit.

Chairman Thibault asked in other words what happened like last year when they went almost 3 million dollars "in the hole" we had to pick it up and that was it until they could pay.

Mr. Clougherty replied in the affirmative and stated we carry them as a separate component part but it has an effect on our bottom line.

Alderman Levasseur asked so the interest on the \$800,000 that they still owe from the prior year, we had the authority as the Board not to charge them that interest but at the same time by not charging that interest we are not giving them an incentive to pay off that old debt.

Mr. Clougherty replied in the affirmative and stated but we started that as of this year. The reason we did not charge them as part of the previous year is because we had not noticed them but since the start of the year we have.

Alderman Levasseur stated now we have that policy in effect. They are not worried about the interest on the \$800,000 and they do not want to get behind now so they are going to pay it on this one. It is a smart move on their part then.

Mr. Clougherty stated it is their position and they have been consistent with it.

Alderman Levasseur asked I was wondering about EnergyNorth ninety days...

Ms. Desrosiers asked for the Highway part of it.

Alderman Levasseur replied the administration fee on page 4B. They changed to Keyspan and is there a problem now.

Ms. Desrosiers replied I actually had not noticed that they owed Traffic money they do owe Highway money as well and Highway has sent them to collections. There is only so much control that we could have over what gets sent to collections because the department has to forward us the invoices. I give them the reports, they send me the invoices and they are sent off to collections. Traffic did not send this one to collections but Highway has forwarded them to collections for other services that we provided.

Chairman Thibault asked how long ago.

Ms. Desrosiers replied the Highway invoice was from November as well. There may have been some problems with the changeover in the company name but I think they were in contact. Highway was in contact with this company consistently and they have just kind of refused to pay it.

Alderman Levasseur asked is it possible on this chart that we have...do we have any of these that say that they are disputing it and if we put in a column that says disputed or not. Do you have that ability or are none of these disputed and they are just not paying them.

Ms. Desrosiers replied this is system generated and there is really nowhere in there where it would say that is has been disputed. But we could probably look into not aging things that are in dispute so that they would not show as being over 90 days they would show as being current while they are in dispute. Would that be helpful.

Alderman Levasseur stated that would make a little bit more sense so that way we would know. Also, again here we are with alarm fees with Illegal Pete's and these guys are out of business so that is it, right.

Ms. Desrosiers replied the alarm fees is a little bit of a different situation because the alarm fees currently are not on HTE when I initially put those on HTE through the City Clerk's Office I had written a little blurb on the front page telling you guys that they were not initially on HTE. They are on a separate system CPLIMS that the Police Department runs. So it is not tied in financially to our HTE system and that is part of the reason we had talked about some of the departments that do not use HTE. So anyway, when she wanted to send those accounts to collections I had her put them on HTE so we would have a record of old the accounts were. Those are all currently in collections since the end of March and we have already collected on one so we are very active in trying to collect.

Chairman Thibault asked I am a little concerned about companies like Honeywell for instance. It is not a big deal it is only \$60.00 but how come they take so long

to pay these things. Owen's Marine also these people are in business right now and they are not paying these fees. There has to be a way we could get to these people if they are still in business in the City of Manchester. We could hold their permit to operate in my opinion until they pay.

Ms. Desrosiers replied the alarm ordinance actually does say that they are out of compliance right now because they do not have an alarm.

Chairman Thibault stated maybe we should alert the Building Department to this effect and probably not give them an Occupancy Permit that they cannot operate until they pay their bills.

Ms. Desrosiers stated the problem with the Building Permit situation is I believe they are only given out every three years.

Chairman Thibault stated but if we have a complaint there is not reason why the Building Department could not go there or send someone there and say unless you pay this we are going to cancel your Occupancy Permit.

Ms. Desrosiers asked Tom, is that okay.

Mr. Arnold replied it is not that simple. First of all, the Building Code itself only requires alarms as a matter of building in some narrow instances. In other words, the Building Code is not going to require these alarms every place that you presently have them. So it would be tough to go in and say we are going to pull an Occupancy Permit based on alarms you are not required to have.

Chairman Thibault asked then why are they being charged if they are not required to have it.

Mr. Arnold replied for various reasons better known to the builders they have elected to have them. In order to take an Occupancy Permit you have to have a violation of the code someplace and you may not in all of these cases.

Chairman Thibault stated there would be a way to find out if there are some of these that we could do something and that might generate the people out there to know that we are going to do something about it or we are going to try to do something about it. I hate to just throw all of these out without paying when some of them I am sure we could collect.

Ms. Desrosiers stated and we are not throwing these out. These are just a listing of what is over ninety days old.

Mr. Clougherty stated this is informational and what we are pursuing and what the departments are looking at now.

Alderman Lopez asked on 4C page 4 interdepartmental bills...Manchester Police Department got a computer on 2/26/01 for \$5,424.00 and unpaid \$5,424.00 which the aging says thirty but am I correct they did this billing 2/26/01 just like the others that are there. Then you go down to sixty days old, which is four months old really...am I reading it right.

Ms. Desrosiers replied the way that the aging is set up is you are current for the first thirty days because you are not actually due until...if you get billed on April 1st you are not due until April 30th so you are current. The next thirty days you are between one and thirty days old.

Alderman Lopez asked so this page here is the only departments in the entire City that owe us money or wherever this transaction goes.

Ms. Desrosiers replied the entire report for 4C is the department that is owed sorts any department that owes any other department and it.

Alderman Lopez asked is it necessary...how long do they go...they could go ninety days, six months or a whole year...why is that, Kevin, and why do these people just pay their bills because they have the money in their budget.

Mr. Clougherty replied it usually comes down to services provided and is it a piece of an action that has been taken. I know that Jen has talked with some of these.

Ms. Desrosiers stated this is actually very cleaned up from when I first started. Of course, we are writing some of these old Human Resources items off. The Aggregation fees are still being worked out and most of those will be paid by the end of the year. A couple of them are going to need to be written off as well. These other ones are sixty days old and I do try to intervene with the departments if I see something out there that needs to be paid. I would be concerned about the ones that are sixty days old.

Alderman Lopez asked is there a policy maybe that we should be making, is that necessary or is this common.

Mr. Clougherty replied we would hope that it would not require a policy that it would be something that would flow normally but it may get to the point where we have to.

Chairman Thibault stated Howard had his hand up so I wonder if he has something that he would like to add to this.

Ms. Desrosiers stated one of these is actually the one...this check got lost and it needed to be reissued and they actually did get the check finally last week.

Alderman Lopez stated the point before, Howard, the only reason I bring it up is because we expect other people to pay us and the Business Service Officer is trying to get their books in order.

Mr. Tawney stated there are three bills that are shown here as being owed to Human Resources were done in error. We double billed because the Highway Department had billed for these services previously and we did not know about it. We billed for the services and they said that they had already paid it. That is the reason three of them are on there.

Alderman Lopez asked the last three 52 should be void.

Ms. Desrosiers replied those three you had approved at the last Committee on Accounts meeting and it went to the full Board. I have not gotten the paperwork from the City Clerk's Office to actually take those off yet but as soon as I do I will remove them.

Alderman Levasseur asked Tom, one of the questions was concerning whether the School Board had the authority to pay us...to pick and choose which bills they wanted to apply money towards when they owe us \$800,000 from a previous year and while you are speaking with the court on this matter I would think that they should have to pay their bill as they come due not when they feel that they should have to pay them. I know the discussion that we had with Kevin Clougherty on this issue, it seems...from a strategic point it is smart for them to pay these bills now because then they do not have to pay any interest. We let them out of paying interest on the \$800,000 from the year prior. But I would like to see that \$800,000 paid before they are applying the 1.9 million dollars they are giving us tomorrow to this year's bills. Do we have the authority to force them to apply the money to the prior bills. We are the ones who are making the chargebacks.

Mr. Arnold replied the School Department in their present suit against the City has alleged that certain chargebacks are not sufficiently documented which presumably are the ones they have not paid. So that is presently pending before the court. I have asked for discovery on those matters...the thirty days where it has not run yet so I have not gotten that back. I would foresee some difficulty in trying to force them to pay chargebacks, which they are alleging, are undocumented.

Mr. Clougherty stated which we disagree with by the way.

Alderman Levasseur asked okay then let us say instead that the question is not whether they are alleged or not but whether the priority...you should ask the judge should they be paying in priority whether they agree with the dispute or not...they should be paying for those bills as they are billed. That is what is relevant here. Whether they dispute the \$800,000 from the year before or not that could be all day and all night. But that money should have been paid and then if they want to have problems with it then they could have their disputes. Who is going to rectify the disputes. Are we going to have to go to court every time we decide whether they should pay a bill in June or should pay a bill in August...which one should they pay first. Any business anywhere in the world will tell you that you have to pay your June bill before they will apply your August bill that is just common sense.

Mr. Arnold stated I understand what you are saying but the best I could say is that it is presently in litigation and we will see how that "pans" out.

Alderman Levasseur asked is the court going to be giving us some sort of dispute resolution criteria.

Mr. Arnold replied are they going to say here is what you have to do in the future to a certain extent, yes, depending on the allegations that have been made and what the court decides. Are they specifically going to say you have to pay the June bill before you pay the July bill...I am not sure that is going to happen but obviously and hopefully a framework will come out of this decision where everybody understands what has to be paid and what has not have to be paid.

Chairman Thibault stated it is something for you to keep in mind as you go to court with this.

Alderman Lopez asked, Kevin, on accounting principles if the School Department gives you the money do you have to apply it where they tell you or do you apply it where you want to apply it in accounting.

Mr. Clougherty replied we apply it where they tell us that they are reimbursing us for particular items because they have the right to dispute.

Alderman Lopez asked even though it is a debt coming in.

Mr. Clougherty replied in the affirmative.

On motion of Alderman Lopez, duly seconded by Alderman Pinard, it was voted to accept the report as presented.

Chairman Thibault addressed item 5 of the agenda:

Monthly financial statements for the ten months ended April 30, 2001.

Mr. Clougherty stated on this page you will note that we have added the Capital Assets column way off to the right and that is to deal with the new GASB 34 requirements where we are going to have to be treating the General Fund pretty much the way we have been treating the Enterprises and getting depreciation. We have talked about that over a number of times. You can see we have added in there on first try some Capital Assets and as the departments start to give us their inventories and give us information that is where that will show up. Next page is compares your...

Alderman Lopez stated before we move on...the budget on number 5 page 1...last night when we had a discussion we noted that the restricted accounts are in their budget. Do you know how much that is. I know that you know how much that is.

Mr. Clougherty stated we have that sheet that Howard gave us that is broken out so much in each department when he prepared the budget last year.

Alderman Lopez asked if we are going to continue that...is that the direction that the Mayor is going to continue to put the restricted items in the departments.

Mr. Clougherty replied in the negative and stated the approach that the Mayor is going to go is for the premiums that will be in the departments but the reserves will actually be separated out and that is why he put that money in Howard's budget.

Alderman Lopez asked when you say the premiums are you speaking of the restricted items the benefits.

Mr. Clougherty replied in the affirmative.

Alderman Lopez asked that is going to be in the departments.

Mr. Clougherty replied in the affirmative and stated the reserve will not be. The amount that based on your complement that each employee is going to have to pay for their family plan will be in the respective departments. There will be an addition to that reserve...if you take a look at page 2 GAAP Basis it is titled "Fund

Equity” and you go underneath and it says “Fund Balances Reserved” and if you look down underneath that you will see that there is “Worker’s Compensation” that is that \$437,000 I gave last night and “Health Insurance” for \$270,000. At the end of this year, we are hoping that as a result of what happens that there is going to be \$500,000 left after all the money that you have appropriated...reserves and everything else leftover...that will get deposited into in addition to that \$270,000. Next year, the Mayor has in Howard’s budget \$460,000 that will get deposited immediately. That gets us close to the number that the actual we should be at.

Alderman Lopez asked why do you think people were confused about this last night.

Mr. Clougherty replied I think what happened is last year this change was something that came about as an aldermanic initiative later in the budget process. That is fine but we have gotten to the point where we worked it through and now going forward you could correct it sometimes it takes a couple of years to get these initiatives worked out. But I think that was part of the problem is it occurred late in the process last year and that is why it was done. Once it is done by the Board and once you appropriate I really have to honor that appropriation from the county. I cannot just go in and say this is what they meant and I am going to move something over here. It does not work that way.

Alderman Lopez asked I understood what you were saying last night about the \$500,000. There was confusion but is it any benefit for the Aldermen as lay people on number 5 page 3. Like Howard broke it out of what the department heads cannot touch. Is there any benefit whatsoever if we had another line like that or is that extra work. Do the department heads know they cannot spend \$300,000 in benefits but is that of value to put here for us.

Mr. Clougherty replied we certainly could do that.

Alderman Lopez stated maybe that would help all of us. When we look at the Aldermen’s budget of \$109,000 I realize that the benefits and everything are in there but we do not know how much of that \$109,000 that they cannot touch.

Alderman Levasseur stated \$70,000 would be salary would the rest be the benefits, Kevin.

Mr. Clougherty stated we have the detail reports for every one of these and we will go back and take a look at that and see what we could do, Alderman, and maybe give you a couple different formats and then for next year we will follow that format through.

Alderman Levasseur asked under the column "Encumbrances" which is added in to a reserve. The encumbrance number is \$2,647,000 what exactly is that encumbrance is that what we owe.

Mr. Clougherty replied it is various departments but it is all of the purchase orders and that whole process where people have ordered things and are waiting delivery to make their payment. But we reflect it in that category because it is not expenditure yet.

Alderman Levasseur stated it is not an expenditure and I understand that but Worker's Compensation the \$437,000 was a reserve.

Mr. Clougherty stated the encumbrance is set aside because we have a commitment once you have entered that purchase order to honor that.

Alderman Levasseur stated but you do not know that you are going to have to pay this Worker's Compensation of \$437,000.

Mr. Clougherty stated but under Worker's Compensation we have an actuarial that we receive every year. Hopefully we are going to get there. We had a reserve and we had to draw down because we had some catastrophic experience during a few years ago and now we are building back up and then once you get to that point it should stay at that amount every year. It is there for emergency.

Alderman Levasseur asked what about "Advances" what is that column there for.

Mr. Clougherty stated that is the offset to the aggregation number.

Alderman Levasseur asked and "Revenue Stabilization" is the "rainy day" fund amount and that equals 3.5%.

Mr. Clougherty replied roughly.

Alderman Levasseur asked and you wanted it around 5% but that is where that is. And the General Liability Insurance is that the one thing that we were having the problem with last night.

Mr. Clougherty replied in the affirmative and stated that is one of the numbers that we gave last night as a balance that we would be looking to move towards and we said that is the one where if what Harry had explained the actuarial number is where we should be and that is why the Mayor's budget this year has \$104,000 less than the previous year because we are at the actuarial amount and then just stabilize it.

Alderman Levasseur asked when you say you are trying to move towards that number does that not mean that we have that amount in there.

Mr. Clougherty stated actually you do for Worker's Compensation you do not and for Health you do not. The real issue here too is one of the actuarial you do every couple of years it is not something you want to do every year. Until we can sort out school we want to make sure that on the municipal side you are only reserving an amount for the City side. In this reserve it should not be for Airport or for the others. You have to push those out so we are trying to...they should have theirs in their own separate statement.

Alderman Lopez asked on the "rainy day" fund when was the last time we ever used it.

Mr. Clougherty replied I do not think you have ever drawn out of it. It has never gotten to the point where it is fully funded first of all and we only started...

Alderman Lopez asked what do you consider fully funded.

Mr. Clougherty replied once we get to 5% then we stop depositing into that fund.

Alderman Lopez asked 5% of what.

Mr. Clougherty replied 5% of the adopted budget. It is in the ordinance as a definition of exactly what that is. Once you get to that percentage you would stop depositing into the "rainy day" fund. Now you have been in a cycle where you have not had to...you can only use the "rainy day" fund if there is a drop in revenues. We have been in a pretty good run here for the last ten years as we have been building this fund in a good economy. You are probably going to draw down on it at some point when you get into a recession or if you see some type of a problem in that area.

Alderman Lopez stated what does it take to take money out of there.

Mr. Clougherty replied it is a two-thirds vote. I will get you the details on that tomorrow. It is all specified in the ordinance. As soon as you take the money out that is the first "red flag" that will go up on Wall Street.

Alderman Levasseur asked as far as the revenue stabilization account is that an interest bearing account.

Mr. Clougherty replied all of this money is invested under the State Statute within a year.

Alderman Lopez asked one follow-up on that, Kevin, with the School situation a good argument could be made that the “rainy day” fund could be used.

Mr. Clougherty replied not from their perspective on Wall Street because they see that as a State problem and the State has the “rainy day” problem not the cities. The way they look at it, Alderman is the State has put in place a program and the constitution says they are responsible for education. They have decided what adequate is they have to fund that. If they are having problems that is their issue not the town’s issue.

Alderman Lopez asked do all cities and towns have a “rainy day” fund.

Mr. Clougherty replied most of them do. They call them different things but most of them do have surplus retention and are trying to get to a percentage because in order to maintain their ratings.

Alderman Levasseur asked Kevin, as far as if I was a School District and being separate from the City would I be entitled to my own part of that “rainy day” fund.

Mr. Clougherty replied in order to...primarily the municipal side and not the school side have made the contributions into the “rainy day” fund over time because the school has not had any surpluses. In order to look at the “rainy day” fund you cannot just say I had a balance in this...what the School Department wants to do is take a look at this account and say we had a balance here and take a look at this bottom line.

Alderman Levasseur asked but should they be putting something into it though.

Mr. Clougherty replied in the affirmative and stated on their side they should and if you read their transition plan that was their goal. The problem is that is has not happened.

Chairman Thibault asked is there anymore questions on this.

Mr. Clougherty stated the next page tells you where the departments are and you can see that we are for the most part departments should have somewhere around 18% of their budgets left. Most departments have that or more. The ones that really do not are Highway and we talked about doing that contingency for them at the last meeting and Welfare. Welfare has enough money in their budget to meet their payrolls and things through the end of the year so we are still taking the

position to wait and see on that because that is going to be driven by rent. The School chargeback number down under non-departmental the negative \$1,831,000 just to let you know they say there is going to be something coming against that.

Alderman Levasseur asked the 1.9 million dollars they are going to give you they say that is the number that they are going to put it towards.

Mr. Clougherty replied they are going to say it is going to go towards probably the \$4,800,000.

Alderman Levasseur asked you said Welfare is at 15.79% and we have ten weeks left in this budget.

Mr. Clougherty replied the average department should be at about 18.96%.

Alderman Levasseur asked so she is not doing as bad as we thought.

Mr. Clougherty replied in the affirmative and stated we should wait until you take all the contingency and move it over there and then you cannot get it back we should wait until the end and if in the last couple of weeks we need to move something I will tell you and we will move it. But I would wait to see what develops out there if there is a problem we will deal with it. The corresponding page talks about what we have received for revenues. The only thing we would mention there is the Health Insurance Audit Recovery. That is proceeding. Whether that money comes in this year or next year again we have an expense and revenue so it should not effect your bottom lines.

Alderman Levasseur asked how is the Tax Collector looking with ten weeks left they are 10%...they may break it and be over.

Mr. Clougherty replied we think on the revenue basis we will meet it. There are some things that were in the budget this year that you are not going to have. There was \$500,000 expected from cable and you are not going to get that. Cable is coming a little bit better and autos are coming in a little bit better. So you have some pluses and minuses and we think you are going to come in close to what the budget number was.

Alderman Levasseur asked looking under Tax Collector is that just property tax or is that all-different kind.

Mr. Clougherty replied that is everything except property tax...that would be your auto registrations and things like that primarily.

Alderman Levasseur asked Kevin, as far as you see for that number...I know we are going to go through this anyway probably at the budget hearings but what is your projection to be over on this right now looking at these numbers. You are at 8 million unrecognized do you think that is going to be 9 million.

Mr. Clougherty replied we think it is going to come in close to zero. We are going to have for the Board for next week a full forecast. We are going to take each item and we are in the process of doing it now.

On motion of Alderman Lopez, duly seconded by Alderman Levasseur, it was voted to accept the report as presented.

Chairman Thibault addressed item 6 of the agenda:

Discussion regarding policy on collection of open invoices over ninety (90) days with the Deputy City Solicitor.

Mr. Arnold stated this is the item you took up at the last meeting and it involved me going over various open invoices to give an opinion as to whether they were worth pursuing or not. I have not had an opportunity to do that at this point.

On motion of Alderman Pinard, duly seconded by Alderman Levasseur, it was voted to table this item.

Chairman Thibault addressed tabled items on the agenda:

TABLED ITEMS

On motion of Alderman Levasseur, duly seconded by Alderman Pinard, it was voted to take item 7 off the table.

Communication from the Internal Audit Manager submitting audit status updates.
(Tabled 04/24/01 - Building Improvement Program - Matching Funds Audit Report for fiscal years ended June 30, 1997 thru June 30, 2000 enclosed herein.)

On motion of Alderman Levasseur, duly seconded by Alderman Pinard, it was voted to accept the report as presented.

On motion of Alderman Levasseur, duly seconded by Alderman Lopez, it was voted to take item 8 off the table for discussion.

Revenue Policy & Collections Ordinance
(Tabled 10/24/00 - Airport and Library responses enclosed herein.)

Alderman Levasseur asked Kevin, on the Revenue Policy on page 2 section 8 the last line on the back page of that...it says the Revenue Policy shall be structured such that the City is able to maintain its reputation within the investment community. Does that reputation change from year to year. I would think you would want to change maintain its AA bonding because you are leaving that open to a lot. I am just saying the language. You might not be here, Kevin, and the reputation may be really good when you are here and it may not be some other day so when you just say reputation you are leaving that as an ambiguous term.

Mr. Clougherty stated just so long as every time the rating changes up or down we do not have to come back and amend the policy. That is the reason we did not specify.

Alderman Levasseur stated the Revenue Policy should be structured such that the City is able to maintain...

Mr. Clougherty stated maybe what you need is some type of a qualifier that keeps us in the "A" rating.

Alderman Levasseur stated that is all I am looking for is a qualifier in there because reputation is...some people may think that we want to be a triple B and some people may want to be...I like the high standard that you have kept and I would like to keep that but I want that qualified in that language.

Mr. Clougherty stated on that item also the Board asked us to send a policy out so that the departments could look at it. We had at the time sent this to the Board, responses from Kevin Dillon who would like to take a different path. Which is fine with us. We are still going to give you the report so that you will see the activity if he had some different things then he is going to come back with maybe what he would like to see.

Alderman Levasseur asked would you need a motion that would say that they are exempt.

Mr. Clougherty stated there are other departments that had raised some issues too but we have just gotten them in the last twenty-four hours so what we would like

to do is compile those to be able to bring you to the next meeting some of what they are asking for.

Alderman Levasseur stated I am not asking for the motion now I am asking if he wants us to think about it. Kevin, would it be your recommendation to allow Manchester Airport to be exempted from this at a future date when we do have it on the table.

Mr. Clougherty replied for the Enterprise at the airport he does have some unique situations.

Alderman Lopez stated I think Mr. Dillon ought to be here. It is tabled and we are throwing words here and it is not fair to the department head.

On motion of Alderman Lopez, duly seconded by Alderman Levasseur, it was voted to put item 8 back on the table.

Chairman Thibault addressed item 10 of the agenda:

Report of committee referred back by the full Board on April 3rd relative to the City requesting the State amend RSA 80:56 which would authorize cities and towns to charge a fee of \$50 plus all protect, bank and legal fees for uncollected checks.
(Tabled 04/24/01 pending further information from Finance.)

On motion of Alderman Lopez, duly seconded by Alderman Levasseur, it was voted to table item 10 off the table.

On motion of Alderman Lopez, duly seconded by Alderman Pinard, it was voted to receive and file item 10.

Chairman Thibault addressed item 9 of the agenda:

Review of Board of Assessors reports.
(Tabled 04/24/01)

On motion of Alderman Levasseur, duly seconded by Alderman Lopez, it was voted to take item 9 off the table.

Mr. Nichols stated this was mailed to you on April 3rd but we have had a few postponements. As you can see on the tax base summary page one we are at a total as of April 2nd that \$3,895,000,000. If you have any questions on that page I will answer them.

Alderman Lopez asked that has nothing to do with the revaluation is that correct.

Mr. Nichols replied none of these figures have anything to do with the revaluation.

Alderman Lopez asked so the 5.2 billion dollars that the Mayor used in his budget was based from the 3.83 billion dollars and you went to 5.2 billion dollars do I assume I can add some of this other stuff to that 5.2 billion dollars.

Mr. Nichols replied in the negative and stated so the figure of 5.2 billion dollars is a figure that we think we are going to reach.

Alderman Lopez stated I know you are going to make the 5.2 billion dollars you are going to reach based on the 3.8 billion dollars. So if you had a projection of 3.8 billion dollars and you go with the 5.2 billion dollars and you say this has nothing to do with the revaluation this increase to \$895,000. If it does not have anything to do with the revaluation and you are going to come in at the revaluation at 5.2 billion dollars than I could add the rest of this from \$821,000 and I could add another \$74,000.

Mr. Nichols asked you mean the difference between 3.895 and 3.1.

Alderman Lopez replied the difference between 3.821 and 3.895 and add the 5.2 because that has nothing to do with revaluation. Is that correct.

Mr. Nichols replied if you want to go that way you can...

Alderman Lopez stated in the negative and stated I want you to tell me.

Mr. Nichols replied I do not think so, no.

Alderman Lopez asked could you get the answer for me, please.

Mr. Nichols replied in the affirmative. On the second page is the overlay and all of these figures that were given to you balanced with the Finance Department's figures. \$938,300.59 is what is left in the overlay account.

Alderman Levasseur asked what is the total amount that you allowed on these appeals. Is there even a total on here. I see that column where it says the current assessment...you do not have a total for the new assessment. I am on the second page of that chart with all the appeals. Did you allow any appeals. I see the amount of appeals that were attempted \$20,233,500 but I really cannot tell how much you allowed.

Mr. Nichols replied I would have to go back and get last month's or the one we sent in before you. But I could put that on here from now on showing the difference.

Alderman Levasseur asked you already approved these and we do not actually have the authority to say yes or no to any of these approvals is that correct.

Mr. Nichols replied in the affirmative.

Alderman Levasseur stated so this is information. It is probably because it is very "gray". It looks like you denied a lot of them basically. Although I do see some with \$50,000 change. I think that total would be nice for us to at least be able to see.

Chairman Thibault asked Tom, you could provide us with this in the future.

Mr. Nichols replied in the affirmative.

Alderman Levasseur asked as far as the question concerning the next page which is "the following payments in lieu of taxes" \$258,000 this was February 12, 2001...have all of those been paid up.

Mr. Nichols replied in the affirmative and stated to the best of my knowledge every one has been paid.

Alderman Levasseur asked and what is the procedure or the process that you...most of these looks like they are non-profit and they are making payments in lieu of taxes...how do we go about getting these people to pay in lieu of taxes. Is that a policy or a decision that is made by the Board.

Mr. Nichols replied it is a decision that is made by the Board of Assessors and these have been paying in lieu of taxes since before I even got here. The majority of them are based on their assessment times the municipal portion. The YWCA, Families in Transition and another one of the West Side...they pay on the number of units times some much per thousand then we multiply that times the municipal tax rate.

Alderman Levasseur asked do these non-profits pay their own water and sewerage bills.

Mr. Nichols replied in the affirmative.

Alderman Levasseur asked what about helping out with the basic things like street maintenance, fire and police because if there is a fire in their building obviously we have to send the fire trucks over there.

Mr. Nichols replied that is the municipal portion but they are not paying the county or school.

Alderman Levasseur stated so the municipal portion is how much.

Mr. Nichols replied \$14.07 per thousand.

Alderman Levasseur asked is there any...of all the non-profit buildings that we have...once you quoted me or one of the assessors quoted there is \$30 million dollars worth of non-profit buildings that are not paying any taxes. In other words they are allowed to not pay because they are non-profits.

Mr. Nichols stated there is about \$262 million dollars.

Alderman Levasseur asked if we were to take a list of those properties and break that down is it possible that we could apply a smaller rate instead of a municipal rate like just police and fire cost to get something out of these non-profits.

Mr. Nichols replied in the negative.

Chairman Thibault asked is churches and hospitals exempt from paying.

Mr. Nichols replied in the affirmative.

Alderman Levasseur stated churches are exempt by State Statute. There is no way to collect any other payments in lieu of taxes.

Mr. Nichols replied in the negative and stated we went around and around with this with Alderman Pariseau and I do not know if Alderman Thibault or Alderman Lopez...

Alderman Levasseur stated it has been a question that I have had for awhile too. What about this new position property that they want to put a geriatric facility on

Webster Street and that is owned by the Elliot Hospital they want that property and now that is going to be another one of those situations where a non-profit would not have to pay taxes.

Mr. Nichols replied I do not know if that would be the case on that one. I would have to wait and see what the declaration says.

Alderman Levasseur stated I would hate to have to approve something for these people. I know the Planning Board is about to approve something like that this week and nobody knows whether they are going to be paying taxes on it or not.

Mr. Nichols stated we would find out and get back to you.

Alderman Lopez stated it is a Planning Board decision. The formula that is used in lieu of taxes is that determined by State Statute or the City Assessors.

Mr. Nichols replied it is State Statute that they have to pay on the municipal portion. I could get you a copy of that State Statute.

Alderman Lopez asked could you get a copy of the formula how the City Assessors determine the formula or does State Statute determine the formula.

Mr. Nichols replied it is right in the State Statute saying what you have to do.

Alderman Lopez stated find out because I want to know. In lieu of paying taxes the questions was is that the City Assessors formula or is that State Statute.

Mr. Porter replied it is State Statute for a non-profit charitable housing the payment in lieu of taxes is either the municipal portion rate exclusive of school and county applied to the assessed value or 10% of the income.

Mr. Nichols stated which MHRA is the only one that pays that.

Mr. Porter stated MHRA pays directly to the Finance Department that is not something that we have collected but the rest of it is through State Statute.

On motion of Alderman Levasseur, duly seconded by Alderman Pinard, it was voted to accept the report as presented.

Mr. Nichols stated I would get back to you on those other two items.

Alderman Lopez stated maybe Paul Porter could answer those and it will save you some time. The question was the 3.895 has nothing to do with the revaluation so

the number that was used was 5.2 billion in the Mayor's budget and I assume that since the calculation was 3.82 last year could I add the rest of that to the 5.2 from the 8.21.

Mr. Porter replied we had 3.8 and 3.1 last year as a net figure. This, I believe, is a gross tax base figure. This is not without the exemptions taken out of there. This 3.895 billion includes or is prior to taking out for the elderly and the blind exemptions of approximately 65 million. So if you reduce this figure by 65 million you come up with what we would consider was a net figure.

Alderman Lopez asked the net right now is 3.830 billion.

Mr. Porter replied in the affirmative and stated the reason it would be a little bit under is we have not yet picked up the new properties.

Mr. Nichols stated if you look at the last page of your report the net is right there. It has gone down from last year.

Alderman Levasseur asked when we were 18 million dollars shortfall from the October tax rate on our projections from last year...

Mr. Porter replied in the negative and stated when the Board of Assessors projected 3.825.

Alderman Levasseur stated I know but then the Aldermen made a projection and the difference was 18 million.

Mr. Porter replied I believe it was 3.849 and we ended up at 3.831 which is 18 million dollars less than what the Aldermen projected but 6 million dollars more than we had initially projected.

Alderman Levasseur asked you are making a projection of 5.2 and we are going to make a projection also but I do not feel comfortable making a projection over that number that is for sure.

Mr. Porter stated at this point as long as it is clear that it is the Alderman's projection...I do not know what you would base it on other than wishful thinking, which may be.

Alderman Levasseur asked because it was the first budget what did we make our projection based on the last time...hopeful thinking.

Mr. Porter replied the Aldermen did, yes. That number did not come from the Board of Assessors as I recall it was the Aldermen.

Alderman Levasseur stated I wonder how hopeful it was when we made a projection with the 18 million and then you come in with another billion three, four or six months later.

Mr. Porter replied that is the revaluation figure. The number we were working with before we just got the latest ratio at 78% so if you take that 3.831 billion and divide it by .78 that would give you the actual market value as indicated by the ratio of what that assessment represents. Bear in mind, the 3.831 is an assessment figure...the 5.2 billion that we are looking at as a projection is market value and they are not the same because one is doing it after the revaluation and the other is doing it prior to revaluation.

Alderman Levasseur asked so next year after this number has been formulated and you have a good concrete idea of what it is actually going to be then next year we would do the same procedure, we would make an assessment based on...do you always use the .78 number.

Mr. Porter replied in the negative and stated that changes every year because after we...theoretically with a revaluation and everything is perfect which obviously nothing through "perfect" every piece of property in the city would be assessed at 100% of its market value. The tax base at that point would be reflective of 100% meaning that is the market value of all the property. For example, if the tax base went up 200 million dollars the following year or the market value and we remain at the same 5.2 billion assessment that would be a ratio of somewhere around 95%. This leads to another area that we are going to have to be addressing is more frequent updates and revaluation because ten years may or may not be too long but in this particular market we have been in it was a long time. When an assessment remains the same as is typical in New Hampshire it has not changed every year what does change is the tax rate. If the assessed value remains the same and market value goes up that means the assessed value becomes a smaller and smaller percentage of that market value. Every year that is calculated by the Department of Revenue Administration to come up with what our ratio is. Last year it was 91% this year it went down to 78% a 13 point drop which is typical throughout the State that properties have gone up anywhere from 13% to 17% in value overall.

Alderman Levasseur asked when we look at 5.2 billion dollars how are we looking with that number are we going to be able to base...when we do this budget are we going to be solid on that number. Did you make that projection or did the Mayor's Office make the projection.

Mr. Porter replied we made the projection. The Mayor requested what he thought would be a reasonable expectation of the market value of the property after the revaluation for assessment purposes. We anticipated and Tom had done a lot of work with the ratio and we had anticipated this 78%. When we looked at what we might have expected and Alderman Hirschmann had eluded to it we had talked about approximately a 25 to 30 million dollar increase with no revaluation...increase in addition property and we take that number and divide it by the 78% and come up with approximately 5 billion dollars. If we look at a figure 5% or 4% plus or minus from that 5 billion we are looking at a range of 4.8 to 5.2 and this is what we initially had spoken to and addressed the Mayor on and then Wayne Robinson had called and spoke with us and asked if it would be unreasonable to use the 5.2 billion and we said no because it is a projection. At this point, we do not have any more new numbers from the revaluation than we had. They have just started doing the valuation process. They finished the data collection and reviewing the data collection process now they are getting into valuation. I am hoping that within two to three weeks we may have some idea of where that stands.

Alderman Levasseur asked typically what happens the year after your revaluation...do you see an increase in valuation or do you see a decrease. Remember in 1990 we had our massive increase and then we saw a 1.2 billion dollar decrease I am sure it took more than a year to do it.

Mr. Porter replied that was because obviously of the serious depression that New Hampshire was facing and particularly Manchester because five of the major banks were headquartered right here. We do not anticipate next year because we do not see a crash at all. Even if there is a slow down at least the assessments will probably hold. We do not see anything right now that would indicate a collapse of any individual market. Last time and it would probably happen again condominiums really took a hit and condominiums and apartments are the first sign in real estate of an indication that the market is changing because then if you have unemployment people either move out of the area or cannot afford the apartments and so forth.

Alderman Levasseur stated I like the way you are going with this. I worry a little bit about the 4.8 or the 5.2 you are making that based on your 4% to 5%. It had been more prudent to stay right at the middle instead of going 4.8 or 5.2 to stay right in the middle at 5.

Mr. Porter stated it is not unprudent to use the 5.2 so if you are dealing with a number that could be 4%, 5% one way or the other but we are not in any position to say it is going to be exactly 5 billion dollars...it could be a little bit less or higher but at this point we really do not know.

Alderman Levasseur asked did you use any calculations or any futuristic planning in your revaluation because people say we are not in an economic downturn and I agree that the employment numbers are really an indication to me of whether we are going to maintain property prices but the hidden number here is the energy prices. In 1977 how did that effect your property valuations when we had our energy crisis. It is \$1.39 a gallon for oil right now compared to \$.95 last year...how is that going to effect us in the short term.

Mr. Porter replied I have no idea that would be from an economist.

Alderman Levasseur asked but you do not put that into your valuation numbers.

Mr. Porter replied we are not looking beyond this year, Alderman, because as assessors we simply reflect what is there we do not create it.

Alderman Levasseur asked what about the people who actually did the revaluation do they take any of that into consideration.

Mr. Porter replied they are asked to do the value of a piece of property as of April 1, 2001. What happens in 2002 is irrelevant to the value in 2001.

Alderman Lopez asked while both of you are here I know the Committee on Administration took the request that I did and received and filed because the new Senate Bill and you have been up at the State to a lot of conferences and the State was going to take care of and it is not going to effect us. Do you both agree that the new Senate Bill not effect us in anyway on them taking the revaluation.

Mr. Porter replied when you say "effect" I am not quite sure...it will have an effect no question about it. It could very well be the effect that we need more personnel. I know sometimes the Aldermen do not like to hear that but I think that is a realistic approach because there is going to be higher demands on doing more frequent inspection of properties and so forth.

Alderman Lopez asked you as a Board of Assessors the three of you...have you discussed anything in reference to that Bill that the Board of Mayor and Aldermen should know that maybe you have concerns with.

Mr. Porter replied at this point we have not because we do not really know what they are going to end up with with the bill. In fact, they are meeting now still and there may be amendments to the bill. There is nothing concrete that we could really rely on to quantify what we would need.

Alderman Lopez asked when that bill is finalized and after you review it as a Board of Assessors, officers of the city, could you people take a good look at it and report back to this Board as to your status on it.

Mr. Porter replied I believe that would certainly be in order and I am sure that as chairman, Steve Tellier would be advised to do that.

Chairman Thibault asked if there is a downturn in the economy and in the property would you also go for a revaluation then.

Mr. Porter replied not necessarily. If all properties rise and fall at the same rate there is no inequity. It is when various categories of property rise and fall at different rates and I think Alderman Levasseur with a property downtown would certainly know what I am talking about. The properties down on Elm Street took a bigger hit on a percentage basis and a reduction than the typical single family home. They did not take a hit as much as some of those properties.

Alderman Levasseur asked what do you collect for fees when there is an abatement is there a fee involved in that.

Mr. Porter replied at the local level there is no fee. There is a \$65.00 charge to file at the Board of Tax and Land Appeals and it is \$100.00 to file at the Superior Court level.

Alderman Levasseur asked there is a fee to get it into court if they want to appeal your decision. How many appeals do you expect in this first year.

Mr. Porter replied typically with revaluation there are more than normal but in terms of numbers it could be in the thousands.

Alderman Levasseur asked they are actually taking up some serious time when they come in for abatement. You have to go through the whole process with each individual home owner or property owner. Does any other city or town charge a fee for the abatement process.

Mr. Porter replied I am not aware of any. In fact, I do not know even that it is possible to charge. It may be and we could check that out for you.

Alderman Levasseur stated I would like to see that you would check and if it is not unconstitutional. That is a process that has to be gone through and people are coming in to moan because it is free. If there is a charge on there and somebody who really just wants to gripe would maybe say for a \$50.00 fee I really do not feel like griping today but because it is free I can come in here and just have a bad

day and take it out on the assessors. If you are doing 1,000 of them I could see that maybe you could cover your expenses to bring in another assessor.

Chairman Thibault stated could you check that out and get back to this committee.

There being no further business to come before the committee, on motion of Alderman Pinard, duly seconded by Alderman Levasseur, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee